



Enabling and evolving the postal ecosystem

Digital roundtable outputs paper

PREPARED BY MASTERCARD AND UNIVERSAL POSTAL UNION





Driving collaboration across the post ecosystem

On July 7, 2021, Mastercard and the Universal Postal Union (UPU) held a series of convenings focused on the digital transformation of the sector.

Event overview: How digital technology and collaborative business models are helping to transform the postal sector and creating new ways for posts to advance financial and social inclusion, grow their services, improve efficiency and deliver a better consumer experience.

The three-hour online forum attracted over 150 participants from postal organisations across the globe. A distinguished panel of experts from the postal services, business, academia and nonprofit organisations discussed the key issues facing posts today and how the sector is advancing digitisation.

The goal of the roundtables is to encourage postal organisations to learn from one another and accelerate together. It is hoped that the shared learnings expressed during the event – available in this paper and through the on-demand [video recording](#) – will contribute to sound business strategies, adapted regulatory frameworks and forward-looking policies that will benefit people across the globe and support inclusive economic growth.



VIDEO

Available in this paper and through the on-demand [video recording](#)

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Executive summary:

Six key takeaways from the digital convening

- 1** Digital transformation of the postal service business model has **accelerated** in recent years due to e-commerce growth and the impact of the COVID-19 pandemic.
- 2** The postal sector has historic strengths, including a trusted brand, extensive counters and networks that reach the last mile, and common global standards that knit the world together with interoperable communications.
- 3** Integrating digital efficiency, accuracy and security with these core strengths and offering new digitally optimised services can help postal systems diversify and grow sustainably.
- 4** Key growth opportunities include e-commerce, SME services, broader parcel delivery and logistical offerings, financial and payment services, and government engagements.
- 5** Public-private partnerships are a **force multiplier**, helping postal services overcome digitisation challenges, such as a lack of in-house expertise, limited funding and scalable solutions.
- 6** Early movers in digital transformation are **reporting business success**. For instance, the postal system of Costa Rica has expanded from 15 to 60 commercial services in the last few years, has seen dramatic growth in logistics and courier revenues and has become the country's dominant provider of e-commerce delivery services.





A transformative time for post

Pascal Clivaz, Deputy Director General of the UPU, set the stage by emphasising how pivotal the current moment is for postal services, 'The digital transformation of the postal network started years ago, but the pandemic has accelerated modernisation efforts around our business model.' He spoke of the need to prepare designated operators for the operational side of e-commerce and emphasised the importance of collaborating with industry partners like Mastercard to help postal systems meet evolving customer needs.

Reflecting on the opportunity that lies ahead for the postal sector, Mr. Clivaz shared that the focus now needs to be turning possibilities into concrete outcomes and that needs efforts from across public and private sectors. 'The welfare of our cities, our people and our planet is the final goal', said Mr. Clivaz. 'Everything we can progress and build together, in a very concrete and pragmatic way, that advances this goal is welcome.'

Mr. Clivaz described how postal services have stepped up during the pandemic to deliver goods to homebound citizens and to support their governments' vaccination efforts. 'Every citizen of every country should be reached by a public player, and governments are using designated postal operators to meet this mandate', he said. This creates problems for the traditional postal service business model. 'Designated operators have to cover the costs of production. We need innovative ways to meet our new mission. To do that we need to work with partners', Mr. Clivaz said.

THE POWER OF PARTNERSHIP IN ADVANCING INCLUSION AT SCALE

Speaking about the post-pandemic landscape, **Michael Froman, Vice Chairman & President, Strategic Growth, Mastercard**, highlighted that all organisations and institutions have had to reflect on how they serve customers, support vulnerable communities and build on strengths and weaknesses to advance inclusive and sustainable growth. 'COVID underscored the importance of inclusion, of being able to reach the last mile, reaching customers, communities and small businesses across all locations so that they can survive and thrive in challenging times', said Mr. Froman.

Highlighting the complementary capabilities that the UPU and Mastercard share, Mr. Froman said, 'Both Mastercard and the UPU have global reach and are committed to connecting people across the most rural and vulnerable communities. Inclusion is core to both our DNA in terms of making sure that everyone can participate in the system.'

Explaining Mastercard's role in the sector, Mr. Froman referenced the strength of historic relationships with postal partners, as well as sharing that Mastercard is looking at new ways of working with postal operators to address the sectors evolving challenges and opportunities.

Sharing established initiatives that reflect how public-private partnerships are helping to advance impactful digitisation across the sector, Mr. Froman referenced Mastercard's efforts in digital identity with Australia Post and digitisation of social disbursements in countries such as Israel. Mastercard is also working with post and financial institutions in the UK, where 94% of the population lives within a mile of a post office, to enable 30,000 counters across the country to provide basic banking services.

'Governments are looking to the public services for help. With the experience and know-how of global partners, we can deliver together what governments and citizens expect.'

Pascal Clivaz

Deputy Director General,
UPU



'Both Mastercard and the UPU are focused on achieving inclusion at scale, trying to make sure everybody is included in the last mile. We bring technology, expertise and networks to the table in much the same way that the UPU and its members bring their postal networks to the table in order to reach people across all geographies.'

'COVID has underscored not just the importance of inclusion and trust networks, but also of partnerships. None of us can do it alone and we each have to bring our strengths to the table and find new ways so that one plus one equals more than two.'

Michael Froman

Vice Chairman & President,
Strategic Growth,
Mastercard





Postal services of the future

With 668,000 outlets and 5.3 million employees, the postal sector touches virtually every citizen in every country worldwide.

The Universal Postal Union, 147 years old, brings these thousands of postal systems together, creating a network of networks that is bound by UPU treaties, regulations and standards. 'Our role is to ensure the international flow of postal traffic, creating a "single" postal territory around the world', said **Paul Donohoe, Manager of Digital Economy and Trade Programme for the UPU**.

Mr. Donohoe provided insights into digitisation needs and trends happening across the postal sector. Among the highlights:

GROWING DIVERSIFICATION

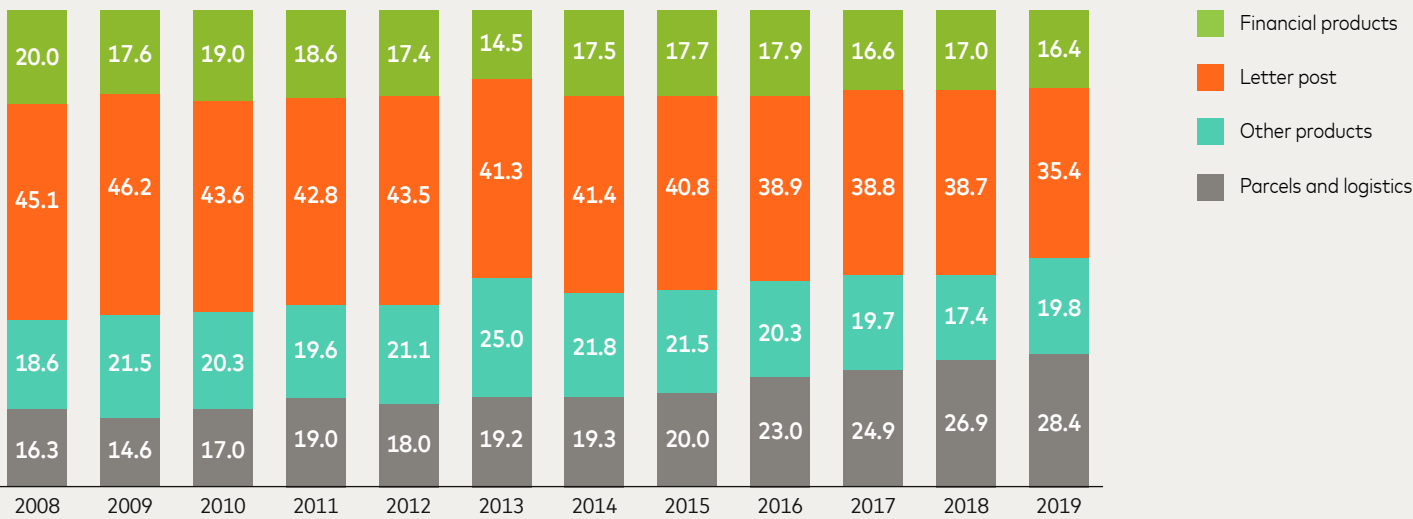
Ten years ago, postal services were traditionally letter- and logistics-based. Today, with increasing digitisation, there's a significant shift toward e-commerce, parcels and logistics, and the advancement of impactful financial products. Now diversification into new products and services is not only increasing but is essential.

'Businesses have become digital platforms that are powering the global economy and disrupting traditional industries. We shouldn't be afraid of this turbulence. We should embrace it and think of innovative ways to address it.'

Paul Donohoe
Manager of Digital
Economy & Trade
Programme, UPU

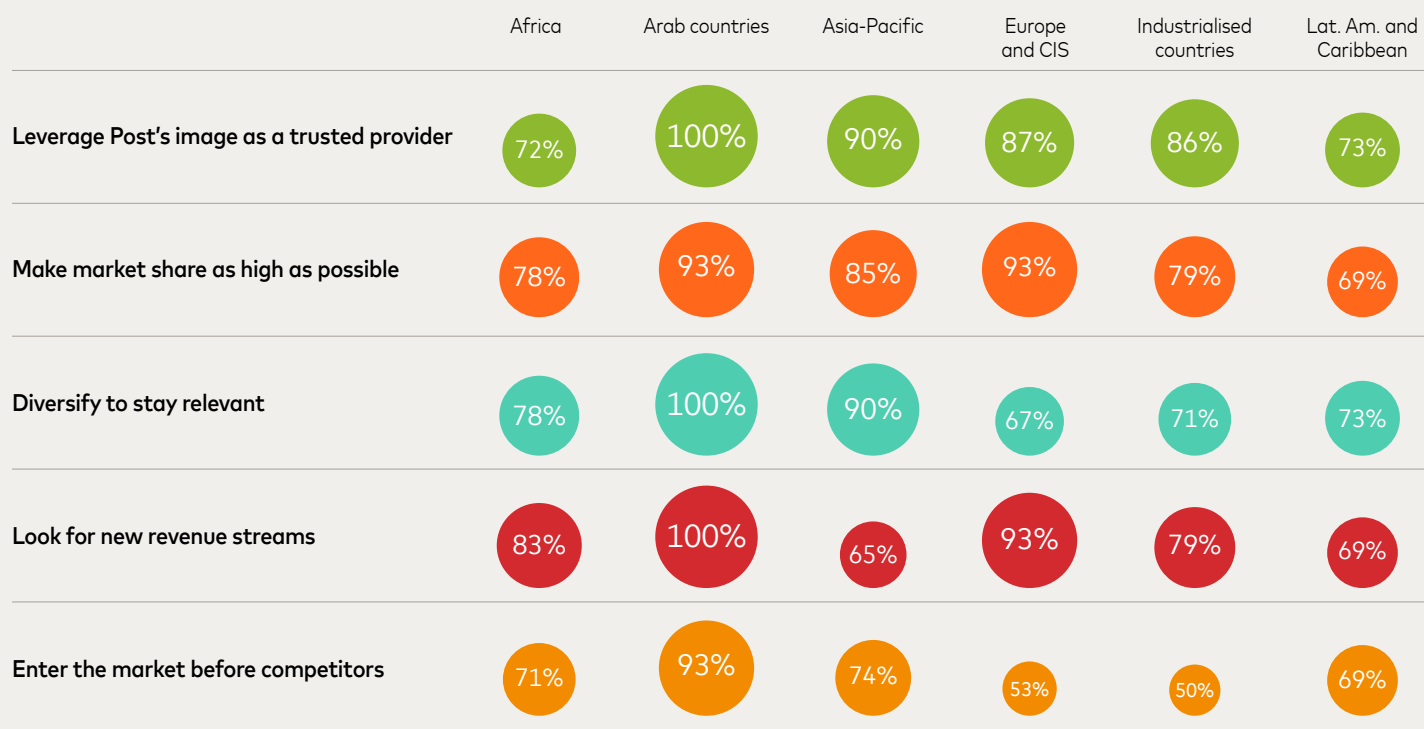


FIGURE 1: DIVERSIFICATION OF POSTAL SERVICES OVER 10 YEARS



Source: Universal Postal Union (UPU) 2021

FIGURE 2: TOP 5 REASONS FOR LAUNCHING DIGITAL POSTAL SERVICES



Source: Universal Postal Union (UPU) 2021

ADVANCING SUSTAINABLE DEVELOPMENT GOALS

Mr. Donohoe discussed how the postal sector's digitisation is helping to advance the work of governments by tying the diversification efforts of three postal systems to key goals from the UN Agenda 2030.

Goal: **Build resilient infrastructure**

Postal Service: **Botswana**

In Botswana, knowledge centres in select post offices now offer internet access and communications services to the public. Revenue has increased by an average of 26% in these post offices and local communities now enjoy a full range of e-services.

Goal: **Reduce inequality within countries**

Postal Service: **United Republic of Tanzania**

Tanzania Post Corporation has 36 internet cafés where customers can access information online while community information centres at six post offices offer e-learning services.

Goal: **Advance peace, justice and strong institutions**

Postal Service: **Morocco**

In 2011, the Moroccan Post launched Barid eSign, a certification platform that ensures the safety, integrity and probative value of all electronic exchanges. Barid eSign is the only certification authority approved by the Moroccan State, helping the Post advance its digital strategy and position itself as a leader in the market of secured electronic correspondence and exchanges.

OVERCOMING CHALLENGES TO REAP REWARDS

The positive impact of postal digitisation is undeniable, says Mr. Donohoe. Postal systems that are integrating digital technologies and collaborating with skilled partners are reporting impressive results:

- ✓ **Improved operational efficiency**
- ✓ **Enhanced capabilities** that align with their core values of universality, proximity and trust
- ✓ **Greater ability to ensure social and financial inclusion**, foster trade and a strong economy and expand access to the digital world in their communities
- ✓ **Positive financial results** that translate to continuing viability and sustainability

'The opportunity for post is not to be bound by legacy systems. We're in a digital age, and the right combination of technology and partnerships can advance growth for the whole sector.'

Paul Donohoe
Manager of Digital
Economy & Trade
Programme, UPU



However, there are steep challenges to overcome. A survey of postal organisations by the UPU reported the main obstacles to transformation across all countries: insufficient investment resources, a lack of cultural change, IT limitations and a lack of digital expertise.



Source: Event attendee poll during live event

FIGURE 3: OBSTACLES TO POSTAL DIGITAL TRANSFORMATION

	Africa	Arab countries	Asia-Pacific	Europe and CIS	Industrialised countries	Lat. Am. and Caribbean
Investment resources not sufficient	72%	47%	60%	57%	23%	64%
Internal transition toward a digital culture	58%	33%	40%	73%	54%	58%
Limitations of the internal IT infrastructure	68%	33%	55%	40%	33%	65%
Lack of experts and digital skills	44%	40%	45%	60%	25%	54%

Source: Universal Postal Union (UPU) 2021

REPLICATE POSTAL SERVICE TRUST AND INCLUSIVITY IN THE DIGITAL DOMAIN

Bhaskar Chakravorti is the **Dean of Global Business at Tufts University** in the U.S. and studies the digitisation of businesses around the world. He pointed out that the postal system exemplifies trust at the most fundamental level: 'If I have to complete an e-commerce transaction, I not only have to enter a credit card number, but my address or postal code as well. My identity is tied to a postal address, and this trust is central to what the postal service delivers.'

Dean Chakravorti says that society is now at a moment of reckoning as it transitions from the physical delivery of communications and information into the virtual and digital world. 'As we spend more time on our screens, how much do we trust the digital ecosystem? If we could bring together the trust embedded in the postal system with the power of the digital ecosystem, that's where the magic lies', he said.

The inclusivity of the postal network is another advantage, according to Dean Chakravorti. 'It reaches almost everyone, everywhere. That's not true of the digital ecosystem. Forty per cent of the world does not have access to the internet in ways that people in developed countries have come to expect. Even in the U.S., according to a Microsoft study, roughly half the country is not using internet at broadband speeds. Postal inclusion and access could be the springboard for the digital network to sit on top of the postal network.'

Partnerships will be critical to making this hybrid model a reality. Dean Chakravorti referenced the US\$65 billion recently appropriated by the U.S. Congress to solve the country's digital divide. 'That is not anywhere close to what is needed, which is more on the order of \$240 billion', he said. 'Public-private partnerships can help close that gap.'

TRANSFORMING TO BETTER SERVE CITIZENS, GOVERNMENTS AND SMALL BUSINESSES

'How we think about the post today is only a fraction of what it can be in the future', said **Imran Jessani, Principal, Data and Services at Mastercard**. 'Digitisation is the "unlock" that allows the postal sector to capitalise on its key strengths – scale, reach and trust.'

In Mastercard's collaborative work with the postal sector, Mr. Jessani has seen several transformative trends as postal systems:

- Leverage their brick-and-mortar networks to extend the footprint of government by providing digital services, such as document management (driver's licences, passports) and benefits disbursement;
- Expand into financial services and e-commerce, creating access to banking services for the unbanked, underbanked and populations in remote places, enabling cross-border remittances and helping small businesses reduce costs; and,
- Improve operational efficiency across the value chain, from sorting to final delivery.

'The postal system engenders trust. If we can combine that with the power of the digital ecosystem, that's where the magic lies.'

Bhaskar Chakravorti
Dean of Global Business,
Tufts University

Tufts
UNIVERSITY

'Digital identity and verification present a strong opportunity for public-private partnerships, with the post office supplying the community-wide reach and leveraging private entities to capture, secure and share that information across the network of trusted partners.'

Imran Jessani
Principal, Data & Services,
Mastercard





Postal services driving economic development and financial inclusion

Global business has been severely impacted by the pandemic, particularly small and medium enterprises (SMEs). **Victoria White is the MD Global Advisory Solutions for Accion**, a nonprofit working to improve inclusivity for the three billion financially underserved people around the world. Among the trends that Ms. White has seen over the last 18 months, several have particular importance for the postal sector:

- **Accelerated mobile penetration.** The number of mobile phone users is expected to reach seven billion by the end of 2021, and mobile money accounts grew by 13% in 2020, she said. Among Accion partners, acceptance of digital payment services increased by more than 100%. Many micro-businesses are moving online and using digital channels.
- **Growth in data collection.** The data footprint of SMEs is growing, as more of them start using digital payments for purchases and sales. This will make SMEs increasingly visible to institutions and potential partners who can access the data to better understand and meet their needs, she said.
- **More digital tools for direct customer engagement.** In the absence of one-on-one interactions in the physical world, these tools will help SMEs build trust in the new digital channels.

Matt Gamser, CEO of SME Finance Forum, cautioned postal operators not to undervalue their physical presence in the rush to provide digital services to SMEs. 'Physical presence is a massive asset that could turn into a significant opportunity right now', he said. 'Postal enterprises should think about combining their physical network of sites with digital knowledge so SMEs can come to a convenient place for financial counsel and marketing advice.' The key, he said, is to reinvent the physical space and train post staff to provide informed counsel, combining digital knowledge with a human touch.

'Digital tools and channels have gone from being "nice to haves" to being absolutely critical for businesses. Customers have already made the digital leap.'

Victoria White

MD Global Advisory Solutions,
Accion

ACCION

'Physical proximity is not losing its importance just because so many things are going digital.'

Matt Gamser

CEO,
SME Finance Forum



MOVING FROM A PUSH TO A PULL MODEL

João Melo, in charge of Innovation Management for CTT Portugal Post, spoke about the need for postal services to transition from a push model to a demand-driven pull model. 'We used to push the mail into the network, and people waited patiently for it. Now, due to smartphones and the internet, customer expectations are much higher. We need to become logistics and delivery experts because if we dwell in the old model, we are doomed', he said.

A key challenge, he said, will be applying technologies to the last mile of postal delivery by transforming letter boxes into intelligent devices that make delivery more efficient and secure.

Postal items themselves must also have embedded digital information to satisfy the demands of today's communications and e-commerce.

'We used to say that information technologies and computers were there to support the business. Now they are the centre of our business', said Mr. Melo.

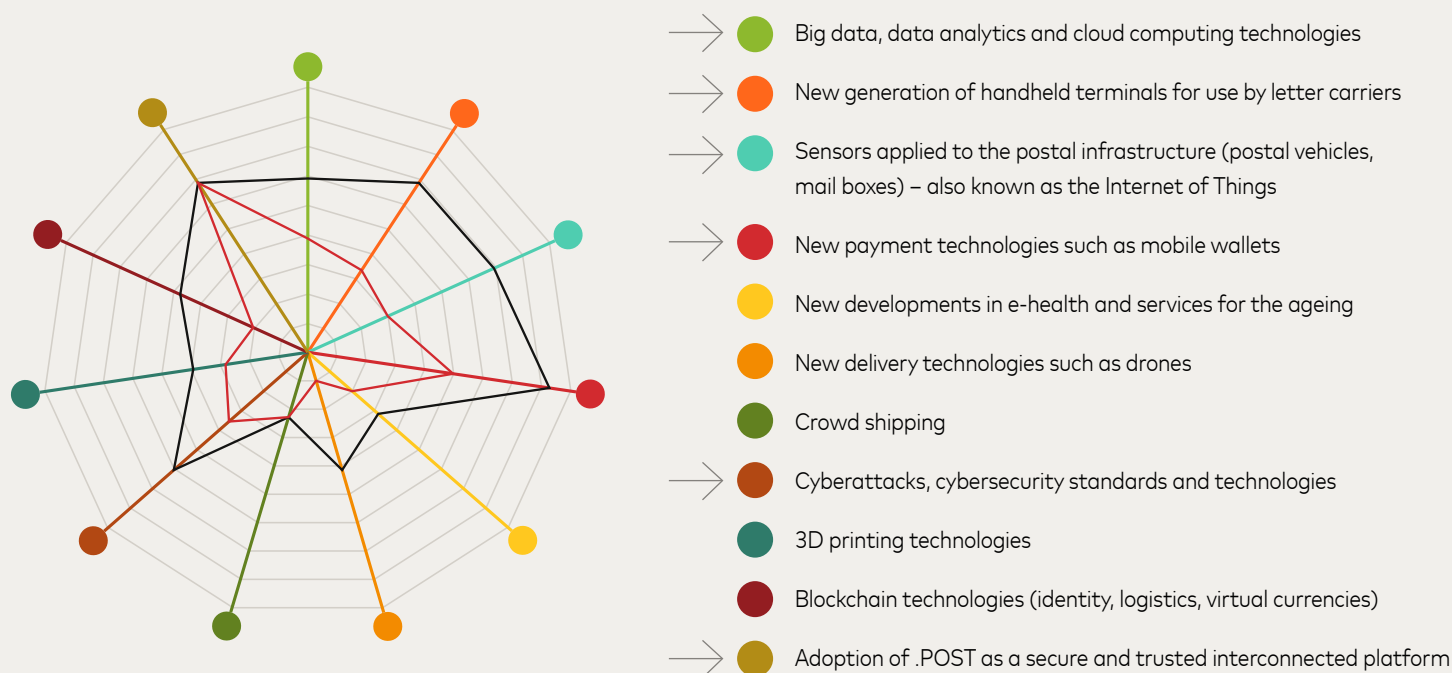
'COVID has done more to underscore the relevance of the postal service than all the marketing campaigns we could devise, but it has also exposed our weak links.'

João Melo
Innovation Management,
CTT Portugal Post



FIGURE 4: TECHNOLOGY TRENDS EXPECTED TO IMPACT POSTAL SERVICES

UPU postal technology radar



Source: Universal Postal Union (UPU) 2021



Impact of digitisation on the postal sector

Digital technologies and collaborative business models are helping postal services expand trade opportunities, promote economic growth and provide new ways to engage consumers and businesses.

The COVID-19 pandemic was the triggering event that led the postal services in Zimbabwe to accelerate their digital activities, according to **ZimPost Postmaster General, Sifundo Chief Moyo**. 'We introduced an e-commerce platform that is now linking communities, linking buyers and sellers, and linking global and domestic customers.'

ZimPost has also experienced an increase in financial services, particularly cross-border remittances. 'We have many people in the diaspora who want to send money back to families, friends and loved ones in Zimbabwe', said Mr. Moyo.

The creation of community information centres within post offices to offer public internet access was another digitisation strategy, made possible by financial assistance from the government. 'We also provide free training for the public because not everyone is computer literate', said Mr. Moyo. ZimPost is also working on partnerships to provide solar power to post offices to improve power reliability for digital services.

'The post office plays a big role in facilitating financial inclusion and ensuring we link the global space with our domestic customers.'

Sifundo Chief Moyo

Postmaster General,
ZimPost

ZIMPOST
DELIVERING POSSIBILITIES



FROM TRADITIONAL POST TO PURE LOGISTICS

The postal system in Costa Rica began to experience a steep decline in traditional postal services about a decade ago, according to **Jorge Solano, CEO of Correos de Costa Rica**. This led to an intense innovation and transformation process. 'We knew if we wanted to be successful and meet customer expectations, we had to incorporate technology and digital channels into our solutions', he said. Correos made several key moves:

- **Rebranded itself as a pure logistics company** focused on domestic courier services and e-commerce. Two new departments were created: Research & Development, to identify market needs and propose new services, and Business Intelligence, to analyse customer data. 'We have expanded our commercial portfolio from 15 services in 2010 to more than 60 in 2020', Mr. Solano said.
- **Launched Pymexpress**, a logistical support service for SMEs that sell online domestically. Started just four years ago, 14,000 SMEs now use the service daily, bringing in thousands of packages for Correos to deliver around the country.
- **Launched Yalo Marketplace**, a secure e-commerce platform for local SMEs to display and sell their products.

'We knew if we wanted to be successful and meet customer expectations, we had to incorporate technology and digital channels into our solutions.'

Jorge Solano

CEO of Correos de Costa Rica



HOW CLOUD-BASED TECHNOLOGY CAN REALISE RAPID DEPLOYMENTS

Kealan Lennon is the CEO & Founder of CleverCards, a global payments platform that enables businesses and governments to send digital Mastercard remittances instantly by SMS, WhatsApp or email. The recipient can spend the money online or use their mobile phone in stores to make contactless payments. No bank account is required, making it ideal for unbanked populations.

He pointed out that cloud-based platforms like CleverCards enable organisations to achieve rapid deployment of the service with no need to worry about technology integration. In that sense, the absence of a legacy IT system is an advantage rather than a limitation for the postal service.

'We all know that posting cheques is dead or dying, the future is digital. COVID has highlighted a massive opportunity for the postal sector, whether the disbursement is for social welfare, school or meal voucher – at the end of the day it's an organisation trying to get a payment out to a citizen. CleverCards can work with organisations like postal operators to hit the market and respond quickly – achieving scale and rapid deployment with zero technical integration.'

Kealan Lennon

CEO & Founder, CleverCards





Five steps to digital transformation

Mr. Donohoe of the UPU shared five recommendations to help advance the digital transformation of postal services:

- 1 Link the physical to the digital.** Posts are important national infrastructures for digital, social, financial and trade inclusion. The physical network complements people's digital needs.
- 2 Partner with startups.** Partnerships are vital to help posts minimise risk and maximise impact. Posts should consider working with startups to deploy services across the country.
- 3 Seek private-sector partnerships.** Access to financing and scalable innovations for digital transformation projects is critical. The private sector can work with posts to share risks and rewards. Mr. Donohoe's recommendation supported insights from the event's live poll, which indicated that the audience found access to expertise and scalable partners (33%) and access to financing (48%) as the greatest barriers to digitisation.
- 4 Increase the pace.** Accelerate digital transformation efforts. Greater investment in posts can enhance infrastructures to support the digital economy.
- 5 Start now. Don't wait.** Postal operations that have not fully digitised need to do so urgently to accelerate the universal adoption of e-government, e-commerce and e-finance services.





Looking ahead

According to roundtable host **Elias Aad, Vice President, Strategic Growth at Mastercard**, the postal sector has the opportunity to be an agent of change in the world and has a critical role to play in advancing the knowledge economy, fostering trade and spearheading globalisation.

Mr. Aad shared that while the past 18 months have been demanding, they have accelerated an existing need to evolve postal services to ensure that the sector is future-ready. Commenting on the role Mastercard will play, Mr. Aad said, 'We've seen how essential partnership is to advance and adapt services across the sector. Mastercard believes that real impact is possible only when there is a united force for good. By coming together and listening to each other, we accelerate positive change and advance together – realising growth across the whole sector and ensuring that no operator or community is left behind.'



You can watch the on-demand recording of Enabling and Evolving the Postal Ecosystem, plus register to hear about future sessions, [here](#).



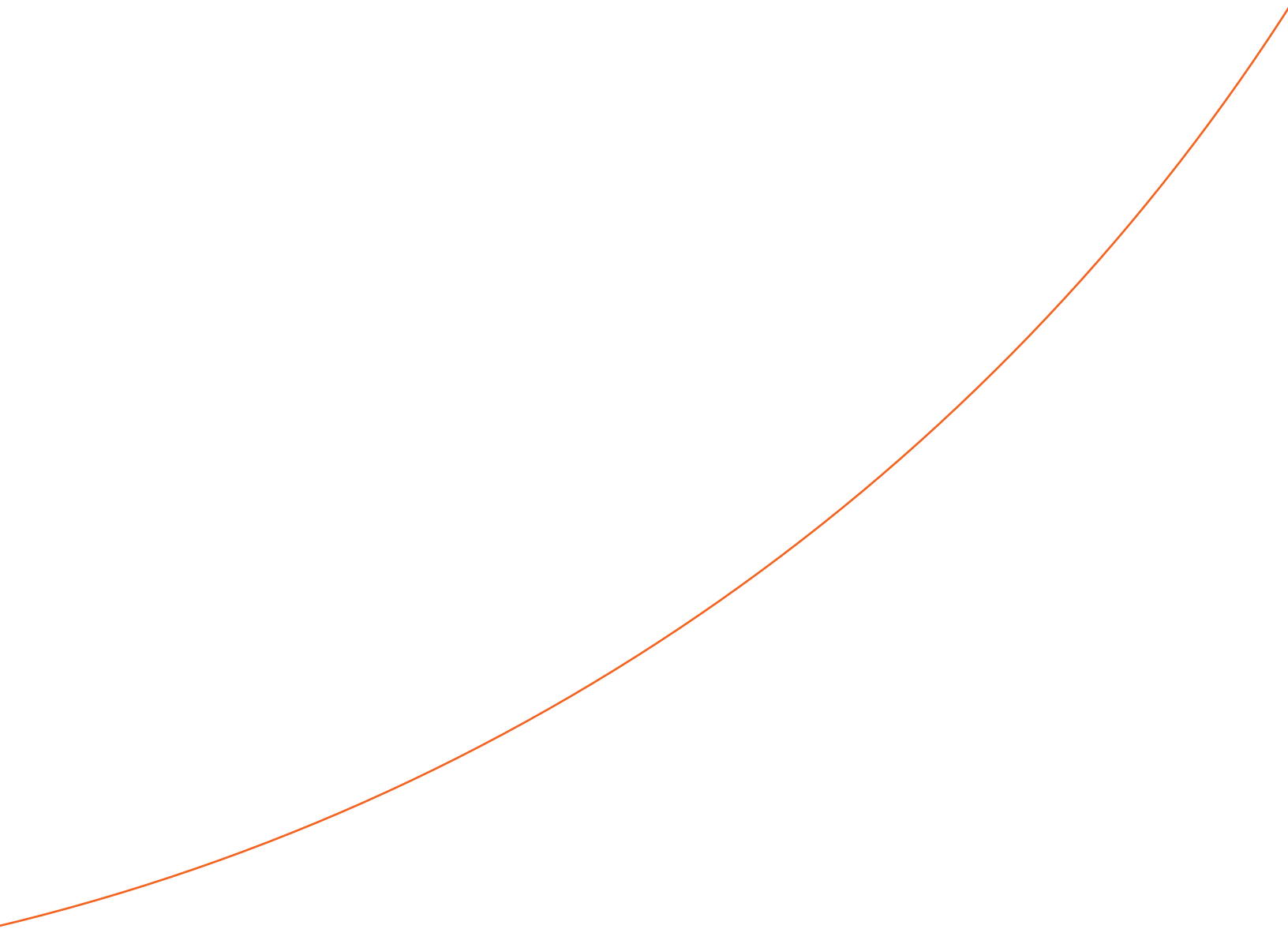
To discuss how Mastercard can work with you to evolve your postal operations and services, contact enterprisepartnerships@mastercard.com or visit mastercard.com/enterprisepartnerships.

'Digitisation is not just adding some servers. It is about ensuring that post advances digitally enabled business models to keep up with the pace of change, allowing the sector to take advantage of new revenue streams and deliver enhanced products that better meet customer needs while extending social and financial inclusion to better serve communities.'

Elias Aad

Vice President, Mastercard





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